

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FEA-02 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-10 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SPC-03 SS-20 STR-08 TRSE-00

PA-04 USIA-15 PRS-01 DRC-01 /198 W

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P 270530Z FEB 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC PRIORITY 1334

INFO AMEMBSSY KUWAIT PRIORITY

AMEMBASSY JIDDA PRIORITY

AMEMBASSY TEHRAN PRIORITY

AMEMBSSY LONDON

AMEMBASSY BEIRUT PRIORITY

AMEMBASSY TOKYO PRIORITY

AMEMBSSY PARIS PRIORITY

AMCONGEN DHAHRAN PRIORITY

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EO 11652: NA (DECON FEB 26, 1975)

TAGS: ENRG, TC, US

SUBJ: ABU DHABI SALE OF ROYALTY CRUDE

REF: A. ABU DHABI 0081

B. ABU DHABI 103

C. ABU DHABI 111

SUMMARY:

ABU DHABI NATIONAL OIL COMPANY ADVERTISING SALE
OF PARTICIPATION AND ROYALTY CRUDE WITH BIDS TO BE SUBMITTED
BY MARCH 4 OR 5. EXACT QUANTITY OF OIL AVAILABLE IS UNCERTAIN,
BUT IS NO MORE THAN 250,000 BPD FOR SIX MONTHS. CERTAIN
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QUALIFYING CONDITIONS MAY REPRESENT A DELIBERATE ATTEMPT TO

PLACE US FIRMS AT A DISADVANTAGE IN THE BIDDING. REQUEST
DEPARTMENT AND ADDRESSEES COMMUNICATE INFORMATION IN THIS
CABLE AT THEIR DISCRETION TO US OIL FIRMS. END SUMMARY.

1. FROM PUBLISHED AND PRIVATE SOURCES, EMB HAS LEARNED MORE
SPECIFIC DETAILS ABOUT PLANNED ABU DHABI (AD) SALE OF ROYALTY
AND PARTICIPATION CRUDE. IT OUR UNDERSTANDING THAT ABU DHABI
NATIONAL OIL CO. (ADNOC) HAS SENT LETTERS/TELEXES TO 50 OR
MORE INTL OIL FIRMS ADVERTISING AUCTION AND REQUESTING SUBMISSION
OF BIDS BY MARCH 4 OR 5. FIRMS CONTACTED WERE MAINLY THOSE
THAT HAVE EXPRESSED INTEREST EITHER SPECIFIC OR GENERAL, OVER
PAST YEAR IN PURCHASE AD CRUDE. ACCORDING OUR INFO,
NUMBER OF AMERICAN COMPANIES INCLUDING SHAHEEN, UNITED REFINING,
CIRILLO BROTHERS AMONG THOSE INVITED TO BID.

2. HOWEVER, THERE SEEMS TO BE SOME CONFUSION BETWEEN PUBLISHED
FIGURES AND INFO OBTAINED FROM ADNOC SOURCES RE QUANTITY OF
OIL AVAILABLE FOR AUCTION. IT SEEMS CLEAR AD INTENDS SELL ITS
ROYALTY OIL CALCULATED AT 150,000 BPD (TOTAL FOR SIX MONTHS
27 MILL BARRELS), AND POSSIBLY SOME PARTICIPATION OIL AS WELL.
ESTIMATES OF LATTER RANGE FROM 12,500 BPD (AMOUNT AVAILABLE IN
1974 UNDER TEHRAN PARTICIPATION AGREEMENT) AND POSSIBLY
UP TO 100,000 BPD, WHICH WOULD BE ESTIMATED OIL AVAILABLE TO
ADNOC UNDER TERMS OF REVISED PARTICIPATION AGREEMENT WITH TWO
MAJOR OPERATING COMPANIES. BECAUSE OF MARKET UNCERTAINTIES,
SELLING PERIOD FOR OIL IS BEING RESTRICTED TO SIX (6) MONTHS.

3. OTHER QUALIFYING CONDITIONS OF SALE ARE AS FOLLOWS:
A. COMPANY SHOULD HAVE ITS OWN REFINING CAPABILITY(I.E. ITS
OWN OR AT LEAST CONTROL REFINING CAPACITY), OR ALTERNATIVELY
POSSESS ITS OWN MARKETING OUTLETS.
B. ARAB BOYCOTT REGULATIONS MUST BE APPLIED.
C. COMPANY WILL BE OBLIGED OFFER FIRM GUARANTEE; PRESUMABLY
THIS MEANS FINANCIAL GUARANTEE THAT LIFTING COMMITMENTS IN
ANY CONTRACT WILL BE HONORED.
D. COMPANY MUST BE WILLING SUPPLY AD'S NEEDS FOR INDUSTRIAL
EQUIPMENT; ADMITTEDLY PURPOSE OF THIS REQUIREMENT IS SOMEWHAT
VAGUE, BUT WE BELIEVE IT WAS INCLUDED TO ASSURE SECURE
A SUPPLY OF CERTAIN INDUSTRIAL COMMODITIES TO LOCAL MARKET,
AND ALSO TO MAINTAIN OIL FIELD DEVELOPMENT. THERE IS SOME
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EVIDENCE THAT THIS REQUIREMENT WAS INTENTIONALLY OMITTED FROM
ADVICE SENT TO AMERICAN FIRMS. WE ARE TOLD IT WAS INCLUDED
IN MESSAGES CIRCULATED TO PROSPECTIVE JAPANESE AND FRENCH OIL
FIRMS WHO MAY BE FAVORED BY CERTAIN ELEMENTS WITHIN ADG.
THE COMMODITY GOVERNMENT KNOWN TO BE SEEKING IN PARTICULAR IS
STEEL (OIL FIELD PIPES, AND CASING, ETC), WHICH ARE IN
CRITICAL WORLDWIDE SUPPLY BUT MAY BE AVAILABLE FROM CERTAIN
NON-US SUPPLIERS.

E. ANY COMPANY SELECTED MUST DEAL DIRECTLY WITH ADNOC.
F. BINDING LEGAL CONTRACT WITHOUT ASSENT OF THIRD PARTY IN
ANY OTHER COUNTRY MUST BE SIGNED. (BOTH CONDITIONS E & F
ABOVE ARE DESIGNED TO ELIMINATE MIDDLE-MEN IN ANY NEW OIL DEAL).
G. IF US OIL EMBARGO STILL IN EFFECT, SALES COULD BE CONCLUDED
WITH US FIRMS AS LONG AS THEY CERTIFY MARKETING OF AD OIL
WOULD BE OUTSIDE US.

4. A. COMMENT: WE UNDERSTAND NOT LESS THAN SIX COMPANIES WILL
BE SELECTED FROM TOTAL LIST. UNITED REFINING, AFTER DISCUSSING
SALE WITH ADNOC, ADVISED EMB THAT THEY PROBABLY WILL NOT
PARTICIPATE, BECAUSE OF ONEROUS CONDITIONS AND UNCERTAINTY
RE BOYCOTT.

B. MOST IF NOT ALL OF CONDITIONS FOR SALE WERE CLEARED WITH
KUWAIT MINPET ATTEEQI. WE STRONGLY SUSPECT THAT CONDITIONS
MENTIONED 3D ABOVE INCLUDE DELIBERATELY TO DISADVANTAGE US
FIRMS. IT STILL TOO SOON TO ASSESS WHAT EFFECT DECISION OF
KUWAIT TO DELAY AWARD OF ITS OIL DEAL HAVING ON AD, BUT BELIEVE
AT VERY LEAST GOVERNMENT WILL COMPLETE BIDDING PROCESS. IT
POSSIBLE, HOWEVER, ANNOUNCEMENT OF SUCCESSFUL BIDDERS MAY BE
DELAYED UNTIL MARKET STABILIZES.

5. REQUEST DEPT AND ADDRESSEES COMMUNICATE THIS INFO TO US
RPT US FIRMS ONLY AT THEIR DISCRETION.

GRIFFIN

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